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ALLIANCE BUILDING CORPORATION LIMITED

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SIX MONTH REPORT / AS AT JUNE 30, 1972

Alliance Building Corporation Limited

Dear Shareholders:

We are submitting herewith the unaudited consolidated financial statement for the six month period ending June 30th, 1972, together with comparative figures of earnings for the same period in 1971. Earnings before income taxes amounted to $295,447 as compared to $128,148 for the same period last year.

Cash flow increased from 13.6¢ to 28.8¢ and earnings per share increased from 6.2¢ to 12.9¢.

We are pleased to show that our assets on a six month basis increased by $8,004,715. A substantial portion of this increase was due to the closing of the Ajax transactions which took place in the month of June. As previously reported Alliance purchased 75% of the outstanding shares and debt of Duffins Creek Estates Limited, Duffbrook Management Limited and Industrial Steam Limited. The results of these operations will show up in the balance of the years activities.

The following are some of the highlights of our six month period.

(1) Ajax
The purchase of the Ajax companies brought 950 acres of Industrial, Residential, Commercial and Conservation lands into the portfolio of Alliance. The first phase of the condominium Townhouses is now completely sold and the second phase is under construction. Two industrial malls are under construction and several pieces of industrial and commercial acreage have been sold. The result of these operations will be reflected towards the end of the year. We are very enthusiastic about the market in Ajax and will report to you on the continuing activities in that area at a later date.

(2) Housing
Our Waterloo rental townhouse project is now completely rented and occupied.
Sales in the Villas of Highpoint, our condominium project in North York are proceeding quite satisfactorily. Two townhouse developments in Milton and Barrie are being proceeded with, and construction of approximately 500 units will be commenced in the next twelve months in these areas.

(3) Industrial Parks
The vacancy rate in our industrial malls remains at a significantly low level. We are pleased to report that we have sold a 10 acre site in our Milton Industrial Park to a prime user and that our first industrial building in Guelph has been sold.
During the past few months, we have acquired additional industrial acreage in Brampton and Etobicoke and approximately 300,000 sq. ft. of industrial space is under construction at this time.

(4) Land Development
Several joint ventures have been formed to develop residential and industrial land in Burlington, Orangeville, Barrie and Milton. The closing of these deals will bring another 300 acres of prime development land into our portfolio by the end of this year.

(5) Commercial
Our joint venture in Montreal with Belcourt Construction is proceeding quite satisfactorily and a large commercial development is planned for the very strategic site that we have acquired. Plans for shopping centers in London and North York are in the planning stage and our new Office Medical Building at 400 and Jane, is in the final processes of Municipal approval.

In conclusion, earnings for the full year of 1972 are expected to follow the trend established for the first six months.

We are looking forward to an exciting year of activities, expansion and substantial growth for your Company.

On behalf of the Board of Directors,

DAVID SATOK,
President

August 29, 1972

Consolidated Statement of Earnings

(Unaudited)

	Six Months Ended June 30 1972	1971
	$	$
Income:		
Sale of land and buildings	**1,411,597**	975,654
Less cost of sales:	**1,185,561**	893,992
	226,036	81,662
Rental	**515,898**	375,369
Share of profits from partnerships and joint ventures	**71,360**	26,308
Dividends	—	14,002
Other	**66,960**	40,918
	880,254	538,259
Expenses:		
Interest on long term debt	**295,352**	275,727
Depreciation and amortization	**21,991**	20,271
Other rental, administrative and general	**267,464**	114,113
	584,807	410,111
Earnings before income taxes	**295,447**	128,148
Deferred income taxes	**147,500**	54,000
Net earnings	**147,947**	74,148
Cash flow per share	**28.8¢**	13.6¢
Earnings per share	**12.9¢**	6.2¢

See accompanying notes.

Consolidated Balance Sheet

Assets

	June 30 1972 (Unaudited)	December 31 1971
	$	$
Real estate, at cost:		
Income producing properties, less accumulated depreciation (1972 – $120,626) (1971 – $73,944)	**8,823,038**	6,459,871
Real estate under construction	**2,013,145**	2,230,573
Land held for development	**6,920,447**	4,447,735
Mortgages and accounts receivable	**2,916,186**	972,075
Investment and advances to		
Partnerships and joint ventures	**1,048,508**	934,119
Associated companies	**1,071**	13,820
Fixed assets at cost less accumulated depreciation of $843,985	**1,120,085**	—
Sundry assets and prepaid expenses at cost less amortization	**398,206**	177,778
	23,240,686	15,235,971

Liabilities

	June 30 1972	December 31 1971
Bank indebtedness	**4,351,106**	648,040
Accounts payable and accrued liabilities	**1,117,007**	1,027,646
Loans payable	**2,276,495**	50,000
Mortgages payable	**10,245,723**	9,413,654
9% Convertible Debenture Series A	**847,000**	1,000,000
	18,837,331	12,139,340
Deferred income taxes	**1,427,152**	838,212
Minority interest	**288,970**	—

Shareholders' Equity

	June 30 1972	December 31 1971
Capital		
Authorized:		
364,985 Preference shares, $10 par value, non-voting, issuable in series (1971 – 365,045 shares)		
2,000,000 Common shares no par value		
Issued:		
32,490 7% Cumulative redeemable, convertible preference shares, Series A (1971 – 32,550)	**324,900**	325,500
1,099,340 Common shares (1971 – 1,006,073)	**1,430,045**	1,137,277
	1,754,945	1,462,777
Retained earnings:		
Appropriated	**6,078**	6,078
Unappropriated	**926,210**	789,564
	23,240,686	15,235,971

Approved on behalf of the Board of Directors

D. Satok, *Director*

Graeme G. Kirkland, *Director*

See accompanying notes.

Consolidated Statement of Retained Earnings

	June 30 1972 (Unaudited)	December 31 1971
	$	$
Appropriated		
Balance at beginning of period	6,708	—
Appropriation for redemption of preference shares	—	6,078
Balance at end of period	6,078	6,078
Unappropriated		
Balance at beginning of period	789,564	551,449
Net earnings for the period	147,947	267,004
Discount on redemption of preference shares	92	—
	937,603	818,453
Appropriation for redemption of preference shares	—	6,078
Cash dividends on preference shares	11,393	22,811
Balance at end of period	926,210	789,564

See accompanying notes.

Consolidated Statement of Source and Use of Cash

(Unaudited)

	Six Months Ended June 30 1972	1971
Source of cash:	$	$
Operations:		
Net earnings	147,947	74,148
Charges not requiring an outlay of cash		
Deferred income taxes	147,500	54,000
Depreciation and amortization	21,991	20,271
	317,438	148,419
Dividend paid on preference shares	11,393	11,419
Cash flow	306,045	137,000
Mortgages and loans – net	2,043,926	1,215,711
Other sources of cash		
Proceeds of debenture less related expenses	—	941,416
Share capital	139,168	—
Bank indebtedness	220,110	40,807
Discount on redemption of preference shares	92	—
Net change in other assets and liabilities	(490,497)	(354,182)
Total cash available for investment	2,218,844	1,980,752
Investment of cash:		
Increase in real estate	38,497	1,804,472
Mortgages and receivables – net	241,207	32,943
Assets less liabilities of subsidiary companies acquired	1,837,500	—
Investment and advances to partnerships, joint ventures, and associated companies	101,640	143,337
Total cash invested in the period	2,218,844	1,980,752

See accompanying notes.

Notes to Consolidated Financial Statements

Six Months Ended June 30th, 1972

1. The 1971 earnings figures have been adjusted to reflect the change in the Company's method of recording depreciation from the straight line to the sinking fund basis.
   The effect of this change is to increase the previously reported earnings for the six months ended June 30th, 1971 by 2.5¢ per share.
2. The 1972 consolidated balance sheet includes the assets and liabilities of Duffins Creek Estates Limited, Duffbrook Management Limited and Industrial Steam Limited, which companies were purchased on June 12th, 1972.
   The Company's 75% share of the earnings of these three companies from the date of acquisition has not been included in the Consolidated Statement of Earnings, as these earnings from June 12th to June 30th were not material.
3. The calculation of cash flow and earnings per share is after payment of dividends on preference shares and is based on the weighted average of the number of shares outstanding during the period.
   If all the preference shares, the stock options, warrants, and the debenture outstanding, had been converted into common shares, and dividends and interest not paid, and the cash proceeds employed in the normal course of business, fully diluted cash flow and earnings per share would be as follows:

	Cash flow per share fully diluted	Earnings per share fully diluted
1972	23.6¢	11.1¢
1971	14.1¢	7.1¢